



Income Tax Credit Reviews

59-7-159 & 59-10-137

OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL

Revenue and Taxation Interim Committee

September 15, 2021



59-7-159 & 59-10-137

- **The committee is required to review roughly one-third of the available income tax credits every year.**
 - Each credit gets reviewed every three years.
- **The committee is required to evaluate credits and make recommendations on whether the credits should be:**
 - Continued
 - Modified
 - repealed



Income Tax Credit Review

- **59-10-1005: At-home parent**
- **59-10-1012: Research activities**
- **59-10-1013: Machinery, Equipment for Research**
- **59-10-1022: Capital Gains Transactions**
- **59-10-1023: Health Benefit Plan**
- **59-10-1028: Exchange of Legal Tender**



At-home Parent

- **Available since 2000**
 - Nonrefundable
 - **\$100 per qualifying child**
 - At-home parent provides full time care at parent's residence
 - Qualifying child is 12 months or younger
 - AGI is no more than \$50,000
- **59-10-1005 (Individual)**
 - 2,891 credits claimed in 2019
 - Total amount of \$294,800
 - Average credit amount of \$102



Research Activities

- **Utah credit based on federal credit for increasing research activities**
- **Federal credit**
 - 20% of qualified or basic research expenses that exceed baseline spending
 - Baseline = average % of gross revenues spent on research during base period
 - Min: 50% of research expenses in current year
 - Max: 16% of average gross revenues during base period



Research Activities cont.

- **Utah credit available since 1999**
 - Nonrefundable
 - Applies to in-state research expenses:
 - 5% of qualified or basic research expenses above baseline and
 - 7.5% of total qualified research expenses
 - Utah credit is worth more than federal credit when baseline is greater than minimum allowable
- **59-10-1012 (Individual)**
 - 2,405 credits claimed in 2019
 - Total amount of \$45,096,532
 - Average credit amount of \$18,751
- **Corporate credit on different review cycle**



Machinery, Equipment used in Research

- **Available 1999 -2010 (14 year carry forward)**
 - Nonrefundable
 - 6% of the purchase price of machinery and/or equipment used to conduct qualified or basic research in the state
- **59-10-1013 (Individual)**
 - 35 credits claimed in 2019
 - Total amount of \$297,420
 - Average credit amount of \$8,498
- **Corporate credit on different review cycle**
- **Could be scheduled for repeal after end of carry forward period (2024)**



Capital Gains Transactions

- **Available since 2008**
 - Nonrefundable
 - 4.95% of the gain on a qualifying capital gain transaction
 - capital gains used to purchase qualifying stock in a Utah small business
- **59-10-1022 (Individual)**
 - 187 credits claimed in 2019
 - Total amount of \$1,344,736
 - Average credit amount of \$7,191



Health Benefit Plan

- **Available since 2008**

- Nonrefundable
- 4.95% of specified health benefit plan costs
 - Maximum credit amount of \$300 (single claimant/no dependents), \$600 (joint claimant/no dependents), or \$900 (claimant w/dependents)
 - Not eligible to participate in employer maintained/funded health benefit plan

- **59-10-1023 (Individual)**

- 11,625 credits claimed in 2019
- Total amount of \$1,963,503
- Average credit amount of \$169



Exchange of Legal Tender

- **Available since 2012**
 - Nonrefundable
 - 4.95% of taxable net capital gain from exchanges of one form of legal tender for another form of legal tender
- **59-10-1028 (Individual)**
 - 53 credits claimed in 2019
 - Total amount of \$90,556
 - Average credit amount of \$1,709